

Message Text

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PAGE 01 WARSAW 05015 261539Z

44

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 TRSE-00 EB-11 L-03 H-03 SS-15

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USIA-15 DRC-01 /116 W

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 5959

INFO AMEMBASSY PRAGUE

C O N F I D E N T I A L WARSAW 5015

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CZECH CLAIMS NEGOTIATIONS

REF: PRAGUE 2278 AND 2279

1. ASSISTANT SECRETARY ARMSTRONG, ACTING LEGAL ADVISOR ALDRICH, AND EUR/EE DIRECTOR HAVE REVIEWED EMBASSY PRAGUES PROPOSAL IN PARA 4 OF REFTEL, AND RECOMMEND THAT DEPARTMENT REVISE PRESENT POSITION ON SURPLUS PROPERTY DEBT SETTLEMENT TO GIVE USDEL GREATER LATITUDE ON THIS SUBJECT IF THIS WILL ASSIST ACHIEVEMENT OF SATISFACTORY LUMP-SUM CLAIMS AGREEMENT.

2. POSSIBLE FALLBACK PROPSAL FROM PRESENT POSITION, WHICH MIGHT BE OFFERED IF CZECHS INDICATE READINESS TO ACCEPT SATISFACTORY LUMP-SUM CLAIMS PROPOSAL, WOULD BE (A) TO AGREE TO ACCEPT PAYMENT OF ACCUMULATED INTEREST IN CROWNS AT PREFERENTIAL RATE, (B) TO CONTINUE TO ASK FOR REPAYMENT OF PRINCIPAL IN DOLLARS OR PROPERTY (HAVING IN MIND FUTURE DISIRABILITY OF WELL LOCATED CULTURAL OR COMMERCIAL OFFICE IN PRAGUE, PROPERTY USG COULD LEASE FOR DOLLARS TO AMERICAN SCHOOL, OR BUILDING
CONFIDENTIAL

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PAGE 02 WARSAW 05015 261539Z

HAVING SUITABLE STAFF APARTMENTS), (C) TO PROVIDE THAT'

PAYMENT OF PRINCIPAL IN DOLLARS OR PROPERTY, SHOULD OCCUR BEFORE DECEMBER 31, 1974 (OR OTHER REASONABLE TIME CONVENIENT TO US) AND THAT INTEREST WHICH WILL CONTINUE TO ACCRUE TO PAID IN INTERIM IN CROWNS AT PREFERENTIAL RATE.

3. FURTHER FALLBACK COULD BE A) TO ACCEPT REPAYMENT IN CROWNS OF ACCRUED INTEREST OVER A PERIOD OF YEARS IF PREFERENTIAL CROWN RATE PROVIDED: B) TO POSTPONE ACCEPTANCE OF DOLLAR PART OF REPAYMENT OF PRINCIPAL UNTIL ONE YEAR AFTER CZECHS RECEIVE MFN (OR ONE YEAR AFTER CZECH EXPORTS TO US REACH A GIVEN LEVEL) PROVIDED SATISFACTORY PROPERTIES AT SATISFACTORY PRICE ACQUIRED PRIOR TO DECEMBER 31, 1974 (OR OTHER AGREED DATE) AND PROVIDED INTEREST ON UNPAID PRINCIPAL CONTINUES TO BE PAID.

4. STILL FURTHER FALLBACK COULD BE TO INDICATE THAT AT TIME DOLLAR ELEMENT OF REPAYMENT OF PRINCIPAL DUE, CONSIDERATION WILL BE GIVEN TO ACCEPTING IT IN CROWNS AT PREFERENTIAL RATE.

5. REGARDING PETER VISIT, EMBASSY CORRECT IN ASSUMING THAT PRIOR TO PETER VISIT WE WOULD WANT TO HAVE A) INITIALED CLAIMS AGREEMENT, B) PASSAGE OF OR SATISFACTORY PROSPECTS ON TRADE REFORM ACT. PETER VISIT COULD THEN INVOLVE SIGNATURE CLAIMS AGREEMENT AND PRELIMINARY DISCUSSION OF COMMERCIAL AGREEMENT.

6. FOR PRAGUE: USDEL MAY WISH COMMENT ON FOREGOING SUGGESTION.
DAVIES

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NNN

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